S. CULTURE INTERNATIONAL HOLDINGS LIMITED

港大零售國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1255)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2013	2012
Revenue	*HK$'000*	**255,152**	237,922
Gross profit	*HK$'000*	**168,096**	154,369
Operating profit	*HK$'000*	**11,128**	10,252
Profit attributable to owners of the Company	*HK$'000*	**9,055**	8,694
Gross profit margin	*%*	**65.9**	64.9
Operating profit margin	*%*	**4.4**	4.3
Profit margin attributable to owners of the Company	*%*	**3.5**	3.7
Earnings per share — basic	*HK$*	**0.06**	0.06

The board of directors (the "Board") of S. Culture International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 together with audited comparative figures as at 31 December 2012. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**255,152**	237,922
Cost of goods sold		**(87,056)**	(83,553)
Gross profit		**168,096**	154,369
Other income		**72**	133
Other gains (losses)		**325**	(582)
Selling and distribution costs		**(97,480)**	(91,760)
Administrative expenses		**(56,183)**	(51,125)
Finance costs		**(837)**	(783)
Listing expenses		**(2,865)**	—
Profit before taxation	4	**11,128**	10,252
Taxation	5	**(2,073)**	(1,558)
Profit for the period		**9,055**	8,694
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(84)**	96
Total comprehensive income for the period		**8,971**	8,790
Earnings per share — basic (HK$)	7	**0.06**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	At **30.6.2013** ***HK$'000*** **(unaudited)**	At 31.12.2012 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**48,110**	51,403
Deferred tax assets		**4,054**	4,074
Rental deposits		**11,735**	16,625
		63,899	72,102
Current assets			
Inventories		**131,600**	125,852
Trade and other receivables	8	**51,824**	67,013
Amount due from a related party		—	1,630
Bank balances and cash		**21,189**	28,028
		204,613	222,523
Current liabilities			
Trade and other payables	9	**44,845**	34,924
Amount due to immediate holding company		**4,730**	4,580
Amounts due to related parties		**861**	11,000
Taxation payable		**2,248**	1,392
Bank borrowings — due within one year		**62,543**	77,697
		115,227	129,593
Net current assets		**89,386**	92,930
Total assets less current liabilities		**153,285**	165,032
Non-current liabilities			
Bank borrowings — due after one year		**14,642**	15,360
Net assets		**138,643**	149,672
Capital and reserves			
Share capital		—	16
Reserves		**138,643**	149,656
Total equity		**138,643**	149,672

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The companies now comprising the Group underwent a series of reorganisation in the preparation of the initial listing of the shares of the Company on the Main Board of the Stock Exchange (the "Listing"). Before the completion of the group reorganisation, Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited ("Grand Asian") were wholly and directly owned by CN Fashion Limited ("CN Fashion"), the then immediate holding company of the Company. To streamline the shareholding in the group entities, on 28 December 2012, Kong Tai Sundry Goods (BVI) Company Limited and Grandasian Retail (BVI) Holdings Limited, subsidiaries of the Company, acquired the entire issued share capital of Kong Tai Sundry Goods and Grand Asian (the "First Transfer") in consideration of the allotment of 2,000 shares of US$1 each to S. Culture Holdings (BVI) Limited ("S. Culture BVI") and then S. Culture BVI allotted and issued 2,000 shares of US$1 each to CN Fashion. To further effect the group reorganisation, on 25 January 2013, the Company acquired the entire issued share capital of S. Culture BVI from CN Fashion (the "Second Transfer") in consideration of the allotment of 9,999 shares of HK$0.01 each to CN Fashion. Upon completion of the Second Transfer, the Company became the holding company of the Group as at 25 January 2013. The shares in the Company held by CN Fashion were then distributed in specie to its shareholders on 25 January 2013 and KTS International Holdings Inc., a major shareholder of CN Fashion, became the immediate holding company of the Company on the same date.

The Group resulting from the group reorganisation, which involves interspersing the Company and various investment holding companies between Kong Tai Sundry Goods, Grand Asian and the shareholders of CN Fashion, is regarded as a continuing entity. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 2013 and 30 June 2012 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the group reorganisation had been in existence throughout the periods, or since their respective dates of incorporation where this is a shorter period. The condensed consolidated statement of financial position of the Group as at 31 December 2012 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012 included in the Accountants' Report in Appendix I of the prospectus issued by the Company.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretation ("INT") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. As a result, there is no further disclosure in the condensed consolidated financial statements.

Amendments to HKAS 34 "Interim financial reporting" (as part of the Annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resources allocation purposes, the Group has not included total assets information as part of segment information.

The application of other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to operating segments focusing on retail sales and wholesale of footwear products. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the CODM, the executive directors of the Company. The executive directors of the Company regularly review revenue and results analysis by (i) retail sales and (ii) wholesale. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company.

- Retail sales: Retail sales channel refers to sales at the self-operated concession counters in department stores and self-operated retail stores.

- Wholesale: Wholesale refers to the sales to wholesale customers who resell the products to end-user consumers, typically at retail stores operated by wholesale customers.

The information of operating and reportable segments is as follows:

Segment revenue and results

For the six months ended 30 June 2013

	Retail sales *HK$'000* **(unaudited)**	**Wholesale** *HK$'000* **(unaudited)**	**Segment total** *HK$'000* **(unaudited)**	**Elimination** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
REVENUE					
External sales	**231,481**	**23,671**	**255,152**	**—**	**255,152**
Inter-segment sales	**—**	**91,808**	**91,808**	**(91,808)**	**—**
Segment revenue	**231,481**	**115,479**	**346,960**	**(91,808)**	**255,152**
Segment results	**6,677**	**7,416**	**14,093**	**(1,341)**	**12,752**
Unallocated income					**6**
Reversal of allowance for inventories					**2,394**
Unallocated expenses					**(3,187)**
Finance costs					**(837)**
Profit before taxation					**11,128**

For the six months ended 30 June 2012

	Retail sales *HK$'000* (unaudited)	Wholesale *HK$'000* (unaudited)	Segment total *HK$'000* (unaudited)	Elimination *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE					
External sales	214,764	23,158	237,922	—	237,922
Inter-segment sales	—	89,688	89,688	(89,688)	—
Segment revenue	214,764	112,846	327,610	(89,688)	237,922
Segment results	5,792	6,904	12,696	(978)	11,718
Unallocated income					7
Unallocated expenses					(690)
Finance costs					(783)
Profit before taxation					10,252

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned from each segment without allocation of central administration costs, reversal of allowance for inventories, listing expenses, interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	 2012 *HK$'000* (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**409**	428
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**49,895**	51,306
— contingent rent *(note a)*	**2,353**	2,000
	52,248	53,306
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**3,038**	1,859
— contingent rent *(note a)*	**22,397**	20,535
	25,435	22,394
	78,092	76,128
Depreciation of property, plant and equipment	**5,550**	4,670
Staff costs, including directors' emoluments	**48,215**	40,398
Reversal of allowance for inventories (included in cost of goods sold) *(note b)*	**(2,394)**	—
Interest income	**(6)**	(7)
Net exchange (gain) loss	**(325)**	582

Notes:

(a) The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

(b) During the six months ended 30 June 2013, certain obsolete inventories were sold to customers at original cost or above and resulted in a reversal of allowance amounting to HK$2,394,000 (six months ended 30 June 2012: nil).

5. TAXATION

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**2,014**	1,292
Taiwan income tax	**—**	197
Macau Complementary Tax	**59**	69
	2,073	1,558

The Company was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, are not subject to any income tax.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the period.

Taiwan income tax is calculated at 17% (six months ended 30 June 2012: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the period.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (six months ended 30 June 2012: 9% to 12%) on the estimated assessable profit for the period.

6. DIVIDEND

On 11 June 2013, the Company declared a dividend of HK$20,000,000, representing HK$2,000 per share, to its then shareholders of the Company, included in other payables. The dividend will be settled by the net proceeds from the Listing.

No dividend has been paid or declared by the Company in respect of the six months ended 30 June 2012.

The Board has resolved not to declare an interim dividend by the Company on the profits attributable to the shareholders recorded for the six months ended 30 June 2013.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the consolidated profit attributable to owners of the Company and on 150,000,000 ordinary shares in issue during the period which is calculated on the assumption that the group reorganisation has been effective on 1 January 2012, and has been adjusted to reflect the capitalisation issue of 149,990,000 ordinary shares of HK$0.01 each of the Company at par value on 11 July 2013.

No diluted earnings per share is presented as there are no potential ordinary shares during the period.

8. TRADE AND OTHER RECEIVABLES

Retail sales are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale, the Group allows a credit period range from 30 to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	At 30.6.2013 HK$'000 (unaudited)	At 31.12.2012 HK$'000 (audited)
Within 30 days	**23,423**	40,599
31 to 60 days	**4,419**	2,945
61 to 90 days	**2,901**	3,893
Over 90 days	**2,019**	2,004
	32,762	49,441

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, based on invoice date at the end of each reporting period:

	At 30.6.2013 HK$'000 (unaudited)	At 31.12.2012 HK$'000 (audited)
Within 30 days	**2,333**	4,758
31 to 60 days	**1,412**	1,184
61 to 90 days	**921**	912
Over 90 days	**42**	38
	4,708	6,892

The average credit period of trade payables is 30 days.

10. EVENTS SUBSEQUENT TO REPORTING PERIOD

Pursuant to the written resolution passed by the shareholders of the Company on 11 June 2013, the sum of HK$1,499,900 standing to credit of the share premium account of the Company was approved to be capitalised and applied in paying full at par of 149,990,000 ordinary shares of HK$0.01 each for allotment and issue on 11 July 2013.

On 11 July 2013, 50,000,000 ordinary shares of HK$0.01 each of the Company were issued at HK$2.13 per share by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Retail Operations

Revenue of the Group's retail business for the six months ended 30 June 2013 (the "Period") was HK$231.5 million, representing a 7.8% increase from the HK$214.8 million of the even period of 2012. We had also managed to record 7.2% increase of comparable retail outlet sales during comparable periods for the Period (1.8% increase for the year ended 31 December 2012). This was mainly due to the enhanced effectiveness in converting sales by our experienced sales team.

Hong Kong

Hong Kong is still contributing a majority of sales as we have over 52 retail outlets in the locality. The Group opened a new Clarks specialty store at Maritime Square, Tsing Yi during the Period which increased the number of Clarks specialty store of the Group to 18 as of 30 June 2013. We have charted a period-on-period growth rate of 9.3% in revenue for the Period. While we are expanding our operations in Hong Kong, we are also mindful of the rising costs of operations, including but not limited to rental and staff expenses. The management is confident that we are able to execute our operating and expansion plan with due regard to the containment of the corresponding costs amid the increasing trend in the general price level.

Taiwan

The Group maintained the number of its retail outlets in Taiwan at 45 during the Period. Revenue generated from Taiwan had experienced an increase of 5.6% for the Period. We had managed to maintain growth in the revenue generated in Taiwan as the effect of economy of scale we had built in the market started to bear fruit. The Group has already identified a number of suitable department stores where our retail outlets were situated for the planned expansion in the latter half of the year. The management anticipates to introduce and adopt more effective operating and financial control and measure in our Taiwan operations to help boost the operating margin further towards the end of 2013.

Macau

The Group adjusted the mix of its retail outlets in Macau so that the outlets would be more effective in the utilization of both display areas and sales per visit. Accordingly, the Group had closed one retail outlet in Macau during the Period.

Wholesale Operations

The Group's wholesale operations has been the other main segment of our overall operations. It complements our retail operations as our wholesale customers are able to maintain their performance in selling our footwear products. The management expects this segment to continue to contribute to the Group as we shall continue to put in a reasonable level of operating resources to maintain the current scale of operations.

Prospects

The Group is poised to maintain its growth momentum in its retail operations. While we were adjusting the mix of our retail outlets in the existing strategic locations such that the number of retail outlets had reduced from 102 as of 31 December 2012 to 99 as of 30 June 2013, we experienced growth in both revenue and gross profit thereof. As detailed in our prospectus dated 28 June 2013, we have put in place a cautious yet promising expansion plan to open new retail outlets in the above operating locations as well as in the Shanghai region of Mainland China. In this regard, as part of our expansion plan, the Group is setting up a subsidiary in Shanghai with a view to kick start the operations in the Mainland. We expect that the above shall bode well for the prospect of the retail operations of the Group.

The management is confident that the Group's relentless efforts in pursuing excellence in product and service quality, developing a highly trained and motivated work force, and adopting proven and forward looking business strategies would enable the Group to continue to grow.

FINANCIAL REVIEW

Revenue

Revenue of the Group's business for the Period was HK$255.2 million, representing a 7.2% increase from the HK$237.9 million of the even period of 2012.

With regard to the sales of the major brands under exclusive distribution agreements for the Period compared with the even period of 2012, their respective sales had recorded positive performances. Sales of Clarks footwear products had increased by 0.4%. Sales of Josef Seibel footwear products had maintained its high growth rate of 44.3%, which is an encouraging performance indicator that reaffirms our strategy in introducing and cultivating quality brands in our target markets. Sales of The Flexx and Yokono footwear products had also maintained a growth rate of 13.7% and 110.7% respectively.

As at 30 June 2013, the Group operated 52 retail outlets in Hong Kong, 2 retail outlets in Macau and 45 retail outlets in Taiwan. As at the even date of 2012, the Group operated 55 retail outlets in Hong Kong, 3 retail outlets in Macau and 40 retail outlets in Taiwan.

Cost of Goods Sold

Our cost of goods sold amounted to HK$87.1 million for the Period, representing 34.1% of revenue (30 June 2012: HK$83.6 million, representing 35.1% of revenue). The increase in cost of goods sold was mainly due to the increase in sales activities of the Group.

Gross Profit

Gross profit (Gross profit equals revenue minus cost of goods sold) of the Group for the Period was HK$168.1 million, representing an increase of 8.9% from HK$154.4 million of the even period of 2012. The increase was mainly due to the continuous strong demand for our in-season footwear products and our ability to time the market with the execution of appropriate discount policies for our products.

Gross Profit Margin

Gross profit margin of the Group for the Period was 65.9% (30 June 2012: 64.9%).

Staff Costs

Staff costs for the Period were HK$48.2 million, representing 18.9% of revenue (30 June 2012: HK$40.4 million, representing 17.0% of revenue). The increase in overall staff costs was mainly due to the increase in number of staff of the Group and the general increase of commissions, as part of salaries, which increased with sales made during the Period.

Depreciation

Depreciation accounted for 2.2% of revenue for the Period (30 June 2012: 2.0% of revenue).

Retail Outlet Rentals and Related Expenses

Our property rentals and related expenses for the Period amounted to HK$78.1 million, representing 30.6% of revenue (30 June 2012: HK$76.1 million, representing 32.0% of revenue). The decrease was mainly due to the reduction in the number of our self-rented shops during the Period. Our concession fees for the Period amounted to HK$25.4 million (30 June 2012: HK$22.4 million). The increase was mainly due to the corresponding increase in the sales made through these concessions, based on which part of the fees were charged.

Finance Costs

Our finance costs amounted to HK$0.8 million for the Period (30 June 2012: HK$0.8 million). The finance costs were mainly interest expenses incurred on the mortgage facilities for our office premises at Taiwan and trade related financing facilities with banks. The effective interest rates on the Group's borrowings were ranged from 1.6% to 3.2%.

Listing Expenses

The Company was successfully listed on 11 July 2013 (the "Listing Date"). Part of the listing expenses of approximately HK$2.9 million were recorded as expenses during the Period while HK$3.1 million had been recorded as expenses in the year ended 31 December 2012.

Profits Before Tax

As a result of the foregoing, our profit before tax increased by HK$0.8 million, or 8.5%, to HK$11.1 million for the Period, from HK$10.3 million for the six months ended 30 June 2012.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2013, the Group had bank deposits and cash amounting to HK$21.2 million (31 December 2012: HK$28.0 million), representing a decrease of 24.4% from 31 December 2012. Most bank deposits and cash were denominated in Hong Kong dollars and New Taiwan dollars.

As at 30 June 2013, the Group had short term bank borrowings amounting to HK$62.5 million (31 December 2012: HK$77.7 million), representing a decrease of 19.5% from 31 December 2012. As at 30 June 2013, the Group had long term bank borrowings, comprising mainly mortgage for our office premises at Taiwan, amounting to HK$14.6 million (31 December 2012: HK$15.4 million), representing a decrease of 4.7% from 31 December 2012.

Foreign Currency Risk

The Group's sales and purchases for the Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, New Taiwan dollars, Euros and US dollars. The Renminbi is not a freely convertible currency. The currency market for Macau Pataca is relatively small and undeveloped. Therefore, our ability to convert large amounts of Macau Pataca into Hong Kong dollars over a relatively short period may be limited. The exchange of New Taiwan dollars is restricted and governed by various government rules regarding the application of outward remittance. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong Dollar may have impact on the Group's results.

HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 417 employees (31 December 2012: 394). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

During the Period, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, have been conducted to improve the quality of sales services.

DIVIDENDS

On 11 June 2013, the Company declared a dividend of HK$20,000,000, representing HK$2,000 per share, to its then shareholders of the Company. The dividend will be settled by the net proceeds from the Listing.

No dividend has been paid or declared by the Company in respect of the six months ended 30 June 2012.

The Board has resolved not to declare an interim dividend by the Company on the profits attributable to the shareholders recorded for the Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the period from the Listing Date to the date of this announcement.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules for the period from the Listing Date to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Following specific enquiry made to the directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

Our Company established an audit committee with written terms of reference, in accordance with Appendix 14 to the Listing Rules, on 11 June 2013. The primary duties of the audit committee are, amongst other things, to review and supervise the financial reporting processes and internal control system of the Company.

The audit committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial statements for the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company's directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.s-culture.com). The 2013 interim report of the Company, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to thank the management of the Group and all our staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group.

By order of the Board
S. Culture International Holdings Limited
Chong Hot Hoi
Chairman

Hong Kong, 13 August 2013

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Chu Siu Ming, Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta; three non-executive directors, namely Mr. Chong Hot Hoi, Mr. Chong Hok Hei, Charles and Mr. Yu Fuk Lun; and three independent non-executive directors, namely Mr. Wan Kam To, Mr. Yau Tat Wang, Dennis and Mr. Lam Man Tin.